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財華社
FINET

FINET GROUP LIMITED

財華社集團有限公司

(incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock code: 08317)

MAJOR TRANSACTION CONCERNING PROPOSED DISPOSAL OF A SUBSIDIARY

THE PROPOSED DISPOSAL

The Board is pleased to announce that on 13 March 2017 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, has entered into the Provisional Agreement with, amongst others, the Purchaser and the Vendor Guarantor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Shares representing the entire issued share capital of Disposal Company together with the Sale Debt at a Disposal Consideration of HK\$68,000,000 (subject to adjustment). The principal asset of Disposal Company is the Property located at Units 901 and 920 on 9/F, China Merchants Tower, Shun Tak Centre, 168–200 Connaught Road Central. Under the Provisional Agreement, the Vendor Guarantor has agreed to guarantee, in favour of the Purchaser, the due performance and observance by the Vendor of all its Guaranteed Obligations.

GENERAL

As one or more of the applicable percentage ratios for the Company in respect of the Disposal is or are more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to reporting, announcement and Shareholders' approval under the GEM Listing Rules. As the Vendor Guarantor is a controlling shareholder of the Company, the Vendor Guarantor is a connected person under the GEM Listing Rules. The guarantee given by the Vendor Guarantor in favour of the Purchaser for the Vendor's Guaranteed Obligations constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. However, such guarantee was given on better than normal commercial terms to the Group and it is not secured by the assets of the Group. Hence, the guarantee constitutes financial assistance received by the Group from a connected person that is fully exempt from announcement, independent shareholders' approval requirements as a result of application of Rule 20.88 of the GEM Listing Rules.

THE EGM will be convened at which ordinary resolutions will be proposed to seek the Shareholders' of, among other thing, the Disposal.

A circular containing, inter alia, the information required under the GEM Listing Rules in respect of the Disposal and a notice convening the EGM will be dispatched to the Shareholders on or before 31 March 2017.

Whilst the Vendor Guarantor is materially interested in the giving of the guarantee, her interests are in line with the other Shareholders in relation to the Disposal. Nevertheless, Ms. Lo abstained from voting on the relevant Board resolutions approving the Disposal and the guarantee, and the Vendor Guarantor and her associates will abstain from voting on the relevant resolutions proposed at the EGM.

WARNING NOTICE

Shareholders and potential investors of the Company shall be fully aware that the Disposal may or may not proceed, as it is subject to the fulfillment of conditions precedent.

Accordingly, Shareholders are advised to exercise extreme cautions when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

THE PROPOSED DISPOSAL

On 13 March 2017, the Vendor, a direct wholly-owned subsidiary of the Company, has entered into a conditional Provisional Agreement with the Purchaser and the Vendor Guarantor, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to purchase the entire issued share capital of Disposal Company, together with the Sale Debt at a Disposal Consideration of HK\$68,000,000 (subject to adjustment).

Under the Provisional Agreement, the Vendor Guarantor has agreed to guarantee, in favour of the Purchaser, the due performance and observance by the Vendor of all its Guaranteed Obligations.

MAJOR TERMS OF THE PROVISIONAL AGREEMENT

Date

13 March 2017

Parties

Vendor: Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company.

Purchaser: BACOB Management Limited. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Agent: Midland Realty (comm.) Limited. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the agent and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

Vendor Guarantor: Lo Yuk Yee, the controlling shareholder of the Company

Subject matters to be disposed 100% of the issued shares of the Disposal Company and the Sale Debt

Disposal Consideration

The Disposal Consideration is HK\$68,000,000 and shall be fully payable by Purchaser to the Vendor in cash. The Property is currently subject to mortgage given by the Disposal Company to the Mortgagee. As a condition precedent for Completion, the Vendor shall have discharged all liabilities and indebtedness of the Disposal Company, including but not limited to the mortgage, but excluding the Sale Debt.

The Disposal Consideration has been determined after arm's length negotiations between the Finet Group (BVI) Limited and Purchaser by reference to the prevailing market conditions, the location of Property and the transacted prices of other market comparables to the Property and the Disposal Company being free and clear of all debts except the Sale Debt, which will be assigned to the Purchaser at Completion.

Manner of Payments

The Disposal Consideration for the Disposal is HK\$68,000,000, which has been, or is to be, paid in the following manner:

- (1) HK\$3,290,000, being the first deposit and part payment of the Disposal Consideration, was paid by the Purchaser to the Vendor on the signing of the Provisional Agreement;
- (2) HK\$3,510,000, being a further deposit and part payment of the Disposal Consideration, will be paid by the Purchaser to the Vendor on or before 27 March 2017; and
- (3) HK\$61,200,000, being the balance of the Disposal Consideration, will be paid by the Purchaser to the Vendor upon Completion, which shall take place on or before 3:00 p.m. on 10 June 2017.

The deposits paid and to be paid by the Purchaser to the Vendor is and shall be paid to the Solicitors of the Vendor as stakeholders.

Conditions Precedent

The Provisional Agreement is subject to the following conditions precedent ("**Conditions Precedent**"):

- (a) Management accounts including the balance sheet and the income statement of the Disposal Company made up to the date of the Provisional Agreement and duly certified by the director of the Disposal Company as true and correct shall be delivered to the Purchaser before the signing of the Formal Agreement;
- (b) Audited completion accounts of the Disposal Company made up to the Completion Date (whose details and figures shall be same as those in the unaudited completion accounts of the Disposal Company containing the unaudited balance sheet as at the Completion Date and the unaudited income statement together with the tax computation made up to the

Completion Date, prepared by the Vendor and certified as true and correct by a director of the Disposal Company) shall be delivered to the Purchaser by the Vendor at the Vendor's sole expense within 30 days from the Completion Date;

- (c) The unaudited completion accounts together with the tax computation and apportionment accounts in respect of the current assets and current liabilities of the Disposal Company (except the Sale Debt) as at Completion shall be delivered to the Purchaser within seven (7) business days before the actual Completion Date and the Purchaser and the Vendor shall use their respective best endeavours to agree the apportionment account before completion;
- (d) Completion of the sale and purchaser of the Sale Shares and the Sale Debt shall take place contemporaneously;
- (e) The Vendor shall have proved and shown at its own costs good title of the Disposal Company to the Property free from all encumbrances in accordance with Sections 13 and 13A of the Conveyancing and Property Ordinance (Chapter 219 of the Laws of Hong Kong) respectively;
- (f) The Vendor shall have proved at its own costs good title to the Sale Shares (free from all encumbrances);
- (g) (except the Sale Debt) the Vendor shall have discharged all indebtedness and liabilities (whether actual or contingent) of the Disposal Company including but not limited to the existing mortgage and all other collateral documents incidental thereto before completion;
- (h) The Sale Debt shall be transferred to the Purchaser at time of completion of the sale at consideration already included in the Disposal Consideration;
- (i) Completion of financial, tax and legal due diligence to be conducted by the Purchaser or its appointed professional advisers and results of which are satisfactory to the Purchaser. To enable the Purchaser to conduct the due diligence exercise, the Vendor shall provide or procure the provision of such required information and documents to the Purchaser and the Vendor shall further procure and allow the Purchaser and any person authorized by the Purchaser from time to time as from the date of the Provisional Agreement up to Completion to have access to the followings:
 - (1) the accountants and auditors of the Disposal Company;
 - (2) all contracts, agreements, books, accounts, accounting records, tax returns, correspondence with the Inland Revenue Department, financial ledgers, statutory books and any documents of the Disposal Company;
 - (3) such further information, documents, books, records and correspondence relating to the Disposal Company, its affairs as may be reasonably required by the Purchaser;
- (j) as at the Completion Date, all warranties and representations given by the Vendor under the Provisional Agreement shall remain true and correct in all respects.

Free from Encumbrances

The Sale Shares and the Sale Debt to be sold to the Purchaser shall be free from all Encumbrance and third party rights.

Guarantee

Under the Provisional Agreement, the Vendor Guarantor has agreed to guarantee, in favour of the Purchaser, the due performance and observance by the Vendor of all its Guaranteed Obligations.

Completion Date

Subject to fulfillment of all Conditions Precedent, Completion of the Disposal shall be taken place on or before 3:00p.m. on 10 June 2017.

Other Provisions

With respect to the Disposal, the Vendor and the Purchaser shall negotiate in good faith and use all their respective reasonable endeavours to enter into the Formal Agreement on or before 27 March 2017 or such later date as mutually agreed between the Purchaser and the Vendor.

The Provisional Agreement also contains provisions on representations, warranties, undertakings and indemnities which are usual and customary for a transaction of this nature and scale.

The Property will be delivered with the benefits of the existing tenancy agreement and rental deposit thereunder shall be transferred to the Purchaser without any deduction on completion.

INFORMATION ON VENDOR

Finet Group (BVI) Limited, a direct wholly owned subsidiary of the Company, is principally an investment holding company.

INFORMATION ON VENDOR GUARANTOR

The Vendor Guarantor, Madam Lo Yuk Yee, is the controlling shareholder of the Company. The Company holds the entire issued shares of the Vendor.

INFORMATION ON PURCHASER

BACOB Management Limited is a company incorporated in British Virgin Islands with limited liability and is principally engaged in the business of investment holdings. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION ON THE AGENT

Midland Realty (comm.) Limited is a company incorporated in Hong Kong with limited liability, and is principally engaged in provision of property agency and management services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the agent and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

INFORMATION ON DISPOSAL COMPANY

The Disposal Company is an investment holding company incorporated in the British Virgin Islands with limited liability and wholly-owned by the Vendor. As at the date of this announcement, the major asset of the Disposal Company is the legal and beneficial interest in the Property.

INFORMATION ON THE PROPERTY

The Property comprises 2 office units situated at Units 901 and 920 on 9th Floor, China Merchants Tower, Shun Tak Centre, Central, Hong Kong with a saleable area of approximately 1,940 square feet and is subject to a mortgage.

As at the date of this announcement, the tenancy agreement on the Property has expired and the Group is negotiating renewal with the existing tenant, at a current monthly rental of HK\$135,562.

FINANCIAL INFORMATION OF DISPOSAL COMPANY

Based on the audited financial statements of Disposal Company for the two financial years ended 31 March 2015 and 31 March 2016 respectively and the unaudited management accounts for the nine months ended 31 December 2016, the revenue, (loss) before and after income tax and the net assets value of Disposal Company as of 31 March 2015, 31 March 2016 and 31 December 2016 were as follows:

	For the nine months ended 31 December 2016 (Unaudited) HK\$'000	For the year ended 31 March 2016 2015 (Audited) HK\$'000 HK\$'000	
Revenue	—	1,446	1,485
(Loss) before income tax	(2,062)	(1,032)	(852)
(Loss) after income tax	(2,062)	(1,051)	(871)
	As at 31 December 2016 (Unaudited) HK\$'000	As at 31 March 2016 2015 (Audited) HK\$'000 HK\$'000	
Total Assets value	66,141	58,817	58,510
Net assets value	15,898	17,961	19,012

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited management accounts of Disposal Company for the nine months ended 31 December 2016, the Board expects that subject to Completion, the Group will record a gain of approximately HK\$9.8 million (unaudited), mainly representing the difference between the Disposal Consideration of 68,000,000 (subject to adjustment) and the carrying value of the Property of HK\$58,200,000 as of 31 December 2016.

Upon Completion, the Company will not hold any interest in Disposal Company, which will cease to be a subsidiary of the Company and its financial results after the Completion Date will not be consolidated into the financial statements of the Group.

USE OF PROCEEDS

After deducting professional fees in connection with the Disposal and the redemption of existing mortgage of Disposal Company, it is estimated that the net proceeds from the Disposal calculated based on the Disposal Consideration would be approximately HK\$41.2 million (“Net Proceeds”). The Company intends to use the Net Proceeds from the Disposal as funding for the Group’s general working capital purpose.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Directors consider the Disposal represents a good opportunity of the Company to realize its investment.

The Board (including the independent non-executive Directors) considers the terms of the Disposal to be normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

GENERAL

As one or more of the applicable percentage ratios for the Company in respect of the Disposal is or are more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to Shareholders’ approval pursuant to Rule 19.40 of the GEM Listing Rules. As the Vendor Guarantor is a controlling shareholder of the Company, the Vendor Guarantor is a connected person under the GEM Listing Rules. The guarantee given by the Vendor Guarantor in favour of the Purchaser for the Vendor’s Guaranteed Obligations constitutes a connected transaction under Chapter 20 of the GEM Listing Rules. However, such guarantee was given on better than normal commercial terms to the Group and it is not secured by the assets of the Group. Hence, the guarantee constitutes financial assistance received by the Group from a connected person that is fully exempt from announcement, independent shareholders’ approval requirements as a result of application of Rule 20.88 of the GEM Listing Rules.

THE EGM will be convened at which ordinary resolutions will be proposed to seek the Shareholders’ of, among other thing, the Disposal.

A circular containing, inter alia, the information required under the GEM Listing Rules in respect of the Disposal and a notice convening the EGM will be dispatched to the Shareholders on or before 31 March 2017.

Whilst the Vendor Guarantor is materially interested in the giving of the guarantee, her interests are in line with the other Shareholders in relation to the Disposal. Nevertheless, Ms. Lo abstained from voting on the relevant Board resolutions approving the Disposal and the guarantee, and the Vendor Guarantor and her associates will abstain from voting on the relevant resolutions proposed at the EGM.

WARNING NOTICE

Shareholders and potential investors of the Company shall be fully aware that the Disposal may or may not proceed, as it is subject to fulfillment of conditions precedent. Accordingly, Shareholders are advised to exercise extreme cautions when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	shall have the meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors of the Company
“Business Day(s)”	a day (not being a Saturday, Sunday or days on which a typhoon signal No. 8 or above or black rainstorm warning is hosted in Hong Kong at 10:00 a.m.) on which licenced banks are generally open for general banking business in Hong Kong
“Company”	Finet Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability and the Shares of which are listed on the GEM board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Provisional Agreement, or the Formal Agreement (if applicable)
“Completion Date”	on or before 10 June 2017
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder”	has the meaning ascribed to such term in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	disposal of the Sale Shares and the Sale Debt by the Vendor to the Purchaser pursuant to the terms and conditions set out in the Provisional Agreement, or the Formal Agreement (if applicable)
“Disposal Consideration”	the consideration of HK\$68,000,000 payable by the Purchaser to the Vendor for the Disposal
“Disposal Company”	Pink Angel Investments Limited, an investment holding company incorporated in the British Virgin Islands with limited liability, whose principal asset is the ownership of 100% interest in the Property
“EGM”	the extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve, amongst other things, the Disposal

“Encumbrance”	a mortgage, charge (whether fixed or floating), debenture, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, retention arrangement) having similar effect
“Formal Agreement”	the formal agreement for the Disposal to be entered into between the Vendor, the Purchaser and the Vendor Guarantor relating to the Disposal, subject to negotiation between the parties thereto
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Guaranteed Obligations”	the obligations, commitments, undertakings, warranties, indemnities, terms and conditions under the Formal Agreement and under all other documents relating to the transaction contemplated herein of which the Vendor is a party
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Mortgagee”	Allied Banking Corporation (Hong Kong) Limited
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and Macau
“Property”	Units 901 & 920 on 9th floor, China Merchants Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong
“Purchaser”	BACOB Management Limited, a company incorporated in BVI with limited liability
“Provisional Agreement”	the conditional sale and purchase agreement in relation to the Disposal entered into between, amongst others, the Purchaser, the Vendor and the Vendor Guarantor on 13 March 2017
“SFC”	Securities and Futures Commission
“Sale Debt”	all loan(s) advanced by the Vendor to the Disposal Company up to Completion Date
“Sale Shares”	the entire issued share capital of the Disposal Company, which as at the date of this announcement, comprises 10,000 ordinary shares of US\$1.00 each in the share capital of the Disposal Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company
“Vendor Guarantor”	Madam Lo Yuk Yee, a controlling shareholder of the Company
“%”	per cent

By Order of the Board
Lo Yuk Yee
Chairman and Executive Director

Hong Kong, 13 March 2017

As at the date of this announcement, the executive Directors are Ms. Lo Yuk Yee, Mr. Li Hong, Mr. Chow Wing Chau and Mr. Yiu Wing Hei, and the independent non-executive Directors are Mr. Wong Wai Kin, Mr. Siu Siu Ling, Robert and Mr. Leung Chi Hung.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading or deceptive.

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days from the day of its posting and on the website of the Company at www.finet.hk.